

AMENDED IN SENATE MAY 3, 2006

AMENDED IN SENATE MARCH 27, 2006

**SENATE BILL**

**No. 1421**

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**Introduced by Senator Margett**

February 22, 2006

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An act to add ~~Section 8356.2 to~~ *and repeal Section 8356.2 of the Education Code, relating to child care.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1421, as amended, Margett. Child care: CalWORKs recipients: fraud.

Existing law requires that child care be provided in various stages to recipients of benefits under the California Work Opportunity and Responsibility to Kids (CalWORKs) program. Existing law provides that the 1st stage of child care begins upon the entry of a person into the CalWORKs program. Existing law provides that the 2nd stage of child care begins when a county determines that the work or approved work activity of the recipient is stable or when a recipient is making the transition off of aid and child care is available through a local stage 2 program. Existing law provides that the 3rd stage of child care begins when a funded child care space becomes available for the child or children of the eligible CalWORKs recipient.

Existing law requires the State Department of Education to perform an error rate study to estimate the percentage of errors in the alternative payment and CalWORKs programs, and to report in writing to the Legislature designated information regarding the study. Existing law also requires the department to develop recommendations for the prevention of child care fraud and programmatic errors and the identification and collection of child care

overpayments, and report the recommendations to the Legislature by April 1, 2005. Existing law requires the department to post existing best practices for the prevention of fraud and overpayment considered in making those recommendations on the Internet Web site of the department, and requires child care contracts entered into on or after July 1, 2005, to implement those best practices.

This bill would require the State Department of Education to establish a 2-year pilot project, commencing no later than October 1, 2007, in the County of Los Angeles to identify, investigate, and seek the prosecution of potential incidents of fraud committed by recipients of stage 2 and 3 child care services under the CalWORKs program. The bill would require the department, in coordination with local agencies *that* administer alternative payment programs and are under contract to provide stage two and three child care services, the Los Angeles County District Attorney's Office, and the Los Angeles County Department of Public Social Services, to develop a plan to establish the pilot project, as specified, no later than August 1, 2007. The bill would require the department, within 90 days of completing the pilot project, but no later than January 1, 2010, to submit a report to the Legislature that includes specified data elements regarding the operation and results of the pilot project. The bill would provide that implementation of these provisions is contingent upon the appropriation of funds in the annual Budget Act for that purpose.

*The bill would also provide that participation in the pilot project by each of the specified local governmental agencies is contingent upon the apportionment of funds to that agency to cover its necessary and reasonable costs related to the project.*

*By requiring local governmental agencies to participate in, and perform various duties related, to the pilot project, this bill would impose a state-mandated local program.*

This bill would make *state* legislative findings and declarations regarding the need for special legislation.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

*This bill would repeal this pilot project on January 1, 2010.*

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 8356.2 is added to the Education Code,  
2 to read:

3 8356.2. (a) The department shall establish a two-year pilot  
4 project, commencing no later than October 1, 2007, in the  
5 County of Los Angeles to identify, investigate, and seek the  
6 prosecution of potential incidents of fraud committed by  
7 recipients of stage two and three child care services under the  
8 CalWORKs program pursuant to this article.

9 (b) The department, in coordination with local agencies that  
10 administer alternative payment programs and are under contract  
11 to provide stage two and three child care services, the Los  
12 Angeles County District Attorney's Office, and the Los Angeles  
13 County Department of Public Social Services, shall develop a  
14 plan to establish the pilot project. The plan, including any  
15 contracts or memoranda of understanding, shall be completed no  
16 later than August 1, 2007, and shall include all of the following  
17 elements:

18 (1) Criteria to be used by agencies that administer alternative  
19 payment programs to identify suspected cases of fraud regarding  
20 stage two and three child care services.

21 (2) A restitution plan with procedures to govern cases that  
22 result in prosecutions, including a process whereby moneys  
23 recovered through the court process are returned to the  
24 appropriate agency.

25 (3) An evaluation plan to provide for a review of the cost of  
26 the pilot project and its overall effectiveness and for the  
27 identification of savings achieved as a result of the project with  
28 regard to stage two and three child care services provided in the  
29 County of Los Angeles.

30 (4) A description of the manner in which investigations of  
31 suspected fraud cases will be conducted, including, but not  
32 limited to, all of the following:

33 (A) Whether the department will perform the investigations or  
34 contract with another agency to perform them.

(B) The manner in which the department, local agencies that administer alternative payment programs and are under contract to provide stage two and three child care services, the Los Angeles County District Attorney's Office, and the Los Angeles County Department of Public Social Services will exchange any necessary information, including, but not limited to, CalWORKs and child care case records, with the investigative agency for purposes of conducting the investigations.

(5) Criteria to be used by the investigative agency to determine which cases shall be submitted to the Los Angeles County District Attorney's Office for review and potential prosecution.

(6) Procedures governing the formation of a contract or memorandum of understanding, as necessary, between the investigative agency and the Los Angeles County District Attorney's Office to establish the referral process of cases for review and potential prosecution.

(7) The mechanisms to collect data and report outcomes of the pilot project, including, but not limited to, all of the following:

(A) The number and type of suspected fraud cases identified for investigation.

(B) The number and type of cases for which investigations are conducted.

(C) The result of each of the investigations conducted, including, but not limited to, the details of any fraud discovered in programs administered by the County of Los Angeles.

(D) The number of fraud cases referred to the Los Angeles County District Attorney's Office for review and potential prosecution.

(E) The outcome of cases referred to the Los Angeles County District Attorney's Office, including the total number of cases prosecuted, the number of cases for which restitution was ordered by the court, the amount of restitution ordered per case, and the amount of restitution received per case.

(F) The total actual cost of the pilot project, including a breakdown of the cost of work related to referral, investigation, and prosecution performed by all applicable agencies as part of the pilot project.

(G) Recommendations for possible extension of the pilot project and for improvements to the processes of identifying,

1 investigating, and seeking the prosecution of potential incidents  
2 of fraud regarding stage two and three child care services.

3 (c) The department shall, within 90 days of completing the  
4 pilot project, but no later than January 1, 2010, submit a report to  
5 the Legislature that includes all of the data elements described in  
6 subparagraphs (A) to (G), inclusive, of paragraph (7) of  
7 subdivision (b).

8 (d) The implementation of this section is contingent upon the  
9 appropriation of funds in the annual Budget Act for that purpose.

10 *Participation in the pilot project by each of the local*  
11 *governmental agencies described in subdivision (b) in the pilot*  
12 *project is contingent upon the apportionment of funds to that*  
13 *agency to cover its necessary and reasonable costs related to the*  
14 *project.*

15 (e) *This section shall remain in effect only until January 1,*  
16 *2010, and as of that date is repealed, unless a later enacted*  
17 *statute, that is enacted before January 1, 2010, deletes or extends*  
18 *that date.*

19 SEC. 2. The Legislature finds and declares that a special law  
20 is necessary and that a general law can not be made applicable  
21 within the meaning of Section 16 of Article IV of the California  
22 Constitution because of the number of potential incidents of  
23 fraud regarding child care within the County of Los Angeles.

24 SEC. 3. If the Commission on State Mandates determines that  
25 this act contains costs mandated by the state, reimbursement to  
26 local agencies and school districts for those costs shall be made  
27 pursuant to Part 7 (commencing with Section 17500) of Division  
28 4 of Title 2 of the Government Code.